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THE OPEN DOOR AND COLONIAL POLICY—DISCUSSION

J. T. CREMER.—I am thankful for having been asked to say a few words in reply to the interesting paper read by Mr. Culbertson, showing so clearly that the open-door policy in the colonies is one of the economic bases for permanent peace.

The learned speaker showed clearly that many of the colonies, which were originally "conceived to exist solely for the benefit of the mother country" are yet far from being now held *in trust* for the benefit of the inhabitants of those colonies; they are far from seeing their doors opened, in order to give entrance to nations—other than the mother country—to participate in the economic development of the less advanced parts of the world. In fact, nearly all the nations mentioned have either preferential custom-tariffs or they discriminate in other ways in favor of the mother country. It is remarkable that mother countries, most prone to give equal rights and freedom to their own citizens, countries which are looked upon as the bulwarks of religious and political freedom, do not feel that the far-away souls they have charge of claim not only that same freedom but also economic freedom.

The speaker first referred to the Dutch Colonial Policy, but least was said about it. This silence however is eloquent: "So far as the published tariffs show," he said, "there are no preferences. . . . The open door prevails in the colonies and the low revenue tariff of the mother country gives no special advantage to colonial products."

This is quite true and unpublished tariffs do not exist. The home and the colonial tariffs, I understand, will be published in the *Free Trade Journal.*

I now beg to be permitted to explain briefly: (1) why the Netherlands adopted this policy; (2) what the results are; (3) what conclusion is to be drawn—a conclusion, which, I fear, differs with respect to the colonies inhabited by colored natives slightly from that of Mr. Culbertson.

1. I frankly admit that the colonial policy of Holland, executed chiefly by the Chartered East Indian Company, originally had more in view the benefit of the mother country than that of the natives, and I should not like to take the responsibility of all that happened in the greater part of its three centuries of colonial rule. However, in the past century better ideas dawned.

It is now about fifty years ago that the preferential import and export duties were abolished, much to the disgust at that time of some home manufacturers and merchants, who feared that they would be

driven out of the Indian market by foreign competition. But the Home Government stood firm and considered that the natives had a right to buy and sell in the best markets. They had to pay their taxes in money and in labor (the latter method has since been abolished) and had a right to claim that the proceeds should go into the Treasury, not indirectly into the pockets of home consumers or producers.

Another reason for opening our door widely was that as a small nation we considered it a very grave and great task to develop, all by ourselves, a territory sixty times larger than our own home country, six times the size of the Philippines or of the United Kingdom; and with a population of some 45 millions (seven times our own). Cooperation of foreign capital, industry, energy, and science was required, admitted, and obtained. We count amongst our oldest Indian commercial firms, banks, planters, and scientists, a great number of foreign Europeans and Asiatics. Few Americans, I must say, but they had a great task to fulfill within their own boundaries. However, since the war closed the direct trade-roads with the mother country, a brisk trade by the Pacific Ocean route has been carried on with the United States, and it is still going on.

Besides, during the Hudson-Fulton festivals, on which occasion I had the advantage of becoming acquainted, in New York, with some of your important rubber manufacturers, they took my advice and opened out rubber plantations in Sumatra, which are now the largest in the world. Others followed that example.

The latter fact shows that not only was our door open for commerce, but also for certain investments and concessions of another nature. In fact, for the purpose of cultivating waste soil, for working manufactories, etc., the foreigner can coöperate with Holland or native industrials on easy conditions. Railway tariffs are the same for everyone; the railways are mostly worked by the government. Foreign steamship lines frequently visit the Colony.

2. The *results* of the open-door policy are very satisfactory. Far from having stunted home enterprise the foreign competition has emulated and strengthened it, and our products compete with those of other nations, not only on the colonial but also on the world's markets. Although Holland hardly produces any charcoal and produces no ores of any kind, although it is therefore severely handicapped as an industrial country, still its industries have greatly developed in the last half century. Its shipping enterprise is known all over the world; in the transit through the Suez Canal it took the third place before the war.

The East Indian colonies at the same time rapidly developed. The total trade returns in 1890 amounting to florins 300 millions, in 1905, to florins 480 millions, grew in 1913 to one billion florins, which at the rate of 2½ florins to the dollar, is equivalent to $400,000,000. They more than trebled in 23 years. The imports were about 40 per cent, the exports 60 per cent of that total. Nearly one third of the trade was direct between mother country and colony. The chief imports were machinery, iron and steel, automobiles, etc. The exports were tin, sugar, tobacco, rubber, tea, coffee, cinchona, vegetable-oil, etc.

It would carry me too far to go into further details. Suffice it to say that since Mr. Money, a British author, who visited Java after a life spent in British India, some sixty years ago wrote his book *Java, or How to Manage a Colony,* and since your countryman Mr. Clive Day wrote his excellent book *The Dutch on Java,* much has been changed for the better. I am sure that the many competent Americans, who since the Philippines came into your possession have visited the neighbouring colony, your governors (I mention Mr. Harrison), your military commanders, officials, and merchants there, have been favorably impressed by the system of government in the Netherlands Indies and its results.

Very, very much remains to be done, chiefly for the opening up of the great islands surrounding Java, namely, Sumatra, Borneo, Celebes, New Guinea, etc., but one object we have attained already, namely, that the natives are convinced that no other foreign rule would offer them greater advantages than that of the Netherlands; and that the foreign nations, now freely admitted to the colony with their commerce and industry, feel that a transfer of the Netherland rule into other hands would seriously endanger those relations.

This safeguard of good feeling is to us of more value for maintaining our position in the Far East than a large fleet and a strong army, the costs of which would weigh down the colony.

3. This leads me to the *conclusion* that any colonial nation, which understands the importance of the open door in international colonial relations, can act for itself, can act at once, without the making of "preferences on international problem." There are such immense problems to be solved between nations after the great war, problems of right and of might, problems of international association, all of which cannot be solved except by mutual agreement, that I would not recommend to add to these labors such problems as every nation can settle for itself. Granted, even, that it would have some advantages to do so, we cannot but admit that years would pass before a conclusion, if any, would be arrived at.

Versailles and The Hague's Peace Palace have enough work before them. The nations that now have no preferential duties in their colonies, that abolished them by their own free will, did not make an international problem of their decision.

What Dernburg, the then German Colonial Secretary, said, as we heard just now, is *not* true. A country's own colonies are *not* "instruments of commercial policy" of the mother country. That is a policy of centuries gone by. It is *not* true that "a nation secures rights and privileges in foreign colonies only when she can offer corresponding rights and privileges in her own colonies." This barter of the rights of natives, who have no say in the matter, is unsound, is objectionable, is untrue. In the colonies I mentioned just now the rights are given without a reward and they fare well all the same.

And therefore I would advise those nations which feel that preferential duties and discrimination are against the interests of their colonists and imperil peace, not to wait for others to join them, not to waste precious time, but to act.

Taking, for instance, the Philippines, we have just now heard that in 1913 the door was closed there for free trade, causing a bitter opposition from some classes there. And no wonder, as it was said that the new tariff act is a subsidy to the American exporter at the expense of the Philippine importer.

Your Economic Association, I take it, will understand that the industry of the United States, its commerce, its agriculture, and shipping trade, which in the past war-years have all shown their tremendous strength, do not require the weak support of a few millions of subjects in the Philippines and at their expense. The United States consumer might allow these brown brothers from oversea to sell their colonial produce at the best market; and if you understand the advisability of this policy, I venture to ask: why should a nation wanting to act in this matter not act at once and for itself? Should the United States deem it advisable to do so, she might join in this open-door policy the neighboring colonies situated between the Indian and the Pacific Oceans, and between the Asiatic and the Australian Continents, all populated by the Malay-Polynesian race and comprising, besides the Philippines, the Netherland East Indian Archipelago, and the British Straits Settlement, where the door is open to everyone. They would then be an object lesson to other nations.

I know of a nation, which, when it was itself a colony, objected to paying import taxes for the benefit of the mother country, and some 145 years ago showed its displeasure at a certain "tea-party." The

consequences were so great that it is now one of the mightiest nations of the world.

Let us prevent similar "tea-parties" elsewhere; let those who now feel strong and hearty throw away their differential bandages, their protective crutches, and their discriminating easy-chairs; and above all let us not talk about it but say—*DO IT NOW.*

ROBERT L. HALE.—Mr. Culbertson's paper is a very encouraging sign of the times. The adoption of his propositions by the Peace Conference would remove many of the causes of international friction—as many, perhaps, as it is now practicable to remove. But it would not remove them all. And it is our function as academic men to look beyond the Peace Conference and to seek out and to inform the public of the causes of friction still waiting for removal.

Mr. Culbertson's plan, and President Wilson's third point as recently interpreted, would forbid some of the forms of discrimination which are practiced between nations. Under this plan, one government could no longer discriminate in its customs tariff between the interests of producers in different foreign nations. But as long as a protective tariff of any sort is permitted, the government which imposes it must of necessity discriminate in favor of the domestic and against the foreign producers of the protected article. Such discrimination is the very essence of protection. Yet there are circumstances under which discrimination in favor of production in a given locality may be justified. But that sort of discrimination, if practiced by a body representing one locality, may well cause friction with the government which represents the locality whose production is discriminated against. To avoid this friction, whatever governmental discrimination is practiced between production in different localities should be practiced by a body representing all of the interests concerned. Such a body would be an international tariff commission, of the kind which Mr. Culbertson suggests, but with additional powers.

But a customs tariff is not the only weapon with which a government can at present discriminate between the interests of groups some of whom may not be represented in that government. Whenever a government controls credit, establishes priority rules, raises or spends revenue or regulates transportation rates, it has the power to discriminate among interests in different localities. In fact, it has no power to avoid discriminating. Any regulation of rates, for instance, necessarily involves an apportionment among the different classes of traffic of those costs of the enterprise which cannot be definitely im-

puted to any single class. Where the traffic will bear it, there is room for discrimination in the apportionment of these joint costs. There are indeed mathematical formulas the application of which calls for no discretion; but the very choosing of one of these formulas of apportionment is a discrimination against those classes of traffic which would gain more from the application of a different formula. The classes among whom this discrimination is made may represent interests in different nations. If the body which practices the discrimination represents the interests of one nation alone, we have again a cause for friction between governments.

We hear much of the desire of the French government to bring the iron district of the Saar Valley within the French boundaries. Were the prices of the Saar ore to be fixed by an international commission, as well as the rules of priority in the purchase of the ore, the transportation rates and the international equivalents of export and import duties on it, then the action of that international commission and not the location of the boundary would be the factor decisive of the respective advantages to be obtained by the French and German iron industries. Were the labor conditions in and the taxes on the mines likewise to be fixed by international bodies, and the expenditure of the proceeds of those taxes, then the question of the location of the boundary would lose its entire economic significance. But not until all the international conflicts of economic interest are removed from the jurisdiction of purely national governmental bodies will the location of international boundaries cease to be of economic moment. Not until then can their location be determined with reference solely to cultural and traditional considerations—to the rights of "self-determination" of the inhabitants.